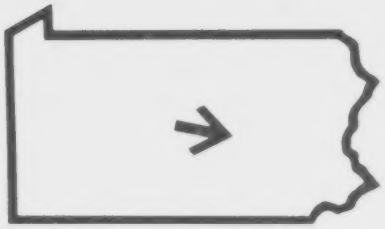

More Signs of Sag

The State

Signs of sag in Pennsylvania's economy multiplied in September. Employment dipped for the first time. Unemployment got worse. Pennsylvania industries added very few jobs during a month when they typically add a good many. Compared with a year ago, there are now about 1,000 fewer Pennsylvanians at work, about 14,000 more out of work, and some 38,000 fewer jobs in nonmanufacturing industries.

On the other hand, there are about 8,000 more factory jobs in Pennsylvania than there were in September 1980. Some 21 million more kilowatt hours of electricity were used in September for factory output generally, and in that month about 186,000 more tons of steel were poured. Most of the year-to-year increase in unemployment has come from enlargement of the labor force rather than from employment loss. There are roughly 12,000 more people in the labor force this September than last. So the subsidence in the economy is neither wide nor deep.

Furthermore, what subsidence has occurred has been too recent to assign very much significance to it. In Pennsylvania it takes four consecutive months of downturn in employment before one can be reasonably sure that cyclical downturn, rather than some other factor, is probably mostly responsible. So far, we've had only one month of decline, and that was from a record high. The index of industrial power sales, a measure of factory output, requires three months, and we've had but two. Other indicators did not clearly signal deterioration during the third quarter. Finally, there is a technical reason for not assigning too much cyclical importance to the September employment and job shifts. The Labor Day holiday this year fell in the week in which labor conditions were surveyed, and that somewhat distorted the picture.

There is a plus for Pennsylvania in the fact that its labor force seems to have stopped expanding in number, at least for the time being. People do move into and out of it in considerable numbers from month to month; but for the past five months the curve has flattened out rather than gone on rising. If it had, the unemployment situation here could be very much worse, given lack of job expansion in Pennsylvania industries.

However, there isn't much in Pennsylvania's immediate future to cheer the observer. For two months, the volume of first claims for unemployment benefits has been increasing in a fashion not typical of late summer and early fall. In September the rise was especially sharp. This suggests that some Pennsylvania employers may be starting to lay off workers in significant numbers. Although Pennsylvania industries added a total of 7,700 jobs in September, this was a weak gain, and the job level was indexed at its lowest seasonally adjusted point since March 1978. However, October and November data will provide a better fix on conditions, because of the intrusion of the Labor Day holiday.

Conditions have apparently been sluggish long enough to hurt the traditionally stable nonmanufacturing industries of Pennsylvania -- those which in the past were counted on to see the State's economy through recession periods with less job damage than there is typically to the volatile manufacturing industries. The persistence of high interest rates has been especially damaging to the construction industry and indirectly to mining and transportation because of lack of steel demand. State and local government jobs dropped to their lowest point in September since 1977 under budget austerity and the phasing out of some Federally supported programs. Retail trade jobs are the lowest they've been in four years.

Factory jobs are not currently losing ground in Pennsylvania, but they have stayed almost at record low for the past six months. The average factory workweek dropped in September to relatively its lowest point this year. Available work is often spread among the existing work force before people are laid off. A shorter average workweek now may mean that factory job losses lie ahead. While there

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College of Business Administration The Pennsylvania State University **November 1981**

certainly will be some losses, it just might be that Pennsylvania's factory managers have pared their work force until it is about as small as it can be and still enable them to operate. If this is true, then any loss from this downturn in this sector may be small too. And it is worth recalling that with the high costs of borrowing money we have had managers sometimes find it less expensive to use labor instead of buying labor-saving equipment. That helps to stabilize factory jobs, although it doesn't do much for the demand for Pennsylvania products designed for capital markets.

The Nation

Increases in personal income in the Nation are diminishing. Partial unemployment is at a record high point, meaning that people who would like to work full time can't find full-time jobs. Business failures are increasing rapidly, and not just in interest-sensitive industries; more failures are expected. There are reports that the slump in factory operating rates has spread beyond the auto and housing industries; and the woes of those two beleaguered industries are far from over. It is thought that corporate dividends are just too good to last and will have to be cut back soon. The index of leading indicators has dropped for two months, and the drop is substantial. Employment in the Nation is down and unemployment up.

Early October reports do little to brighten the picture. The October tax cut was accompanied by introduction of all-savers' certificates. Apparently a considerable amount of money was channeled into them — at least early reports of October new car sales show that people were not buying as many as analysts of the industry had expected. Furthermore, major retailers throughout the country posted their weakest sales of the year.

Still, a recent article in the Wall Street Journal[1] presented substantial evidence to show that, although the consumer may be cautious, he isn't broke. In the eighteen months comprising all of 1980 and the first half of 1981, the overall consumer debt load dropped a full percentage point, despite national recession, recovery, and subsequent sluggishness. In the first quarter of 1980, the expense of servicing home-mortgage and installment loans (including payments of both principal and interest) amounted to 22.2 percent of consumers' after-tax earning. In the second quarter of 1981, it was down to 21.2 percent. That reading, in turn, was well under annual averages for 1978 and 1979 of 22.5 and 22.3 percent. Both those were years of expansion.

Economic Activity in Pennsylvania	1981 Aug.	1981 **Sept.**	1980 Sept.	*Seasonally Adjusted Indexes (1972 = 100.)* 1980 Sept.	1981 Aug.	1981 **Sept.**
Pennsylvania Industries:						
Nonagricultural industries, total no. of wage & salaried jobs in (thous.)	4,692*	**4,699**	4,737	106.3	106.0*	**105.6**
Nonmanufacturing: No. of wage & salaried jobs in (thous.)	3,383*	**3,365**	3,403	114.7	114.1	**113.4**
Manufacturing:						
No. of wage & salaried jobs in (thous.)	1,306*	**1,309**	1,301	89.6	90.1*	**90.2**
Hrs. worked by prod. workers in, ave. wkly.	39.4*	**39.1**	38.7	96.7	99.4*	**97.7**
Total factory man-hours worked (mil. wkly.)	36.5*	**36.4**	35.9	83.6	86.3*	**84.7**
Total factory payrolls (mil. $ wkly.)	306.2*	**306.3**	277.8	166.2	186.7*	**184.6**
Steel production (thous. tons)	1,931	**1,889**	1,703	70	78	**78**
Industrial electric power sales (mil. kwh)	3,921	**3,908**	3,887	109	114	**109**
Mining:						
Anthracite (thous. net tons)	521	**408**	478	77	83	**66**
Bituminous coal (thous. net tons)	7,034	**n.a.**	7,515	104	103	**n.a.**
Construction contracts awarded, value ($ mils.)						
Total	371.1	**381.0**	405.1	139	118	**134**
Residential building	150.0	**150.3**	185.1	144	122	**122**
Other building	123.4	**160.0**	132.4	135	116	**161**
Nonbuilding (utilities and public works)	97.7	**70.7**	87.5	139	115	**113**
Employment of Pa. Residents:						
Employed, total number (thous.)	5,103	**4,953**	4,954	107.8	109.8	**107.8**
Unemployed:						
Total number (thous.)	427	**441**	427	161.6	159.1	**166.4**
Rate (percentage of labor force)	7.7	**8.2**	7.9	—	—	—
Rate, seasonally adjusted	7.7	**8.2**	7.9	—	—	—
Civilian labor force, number in (thous.)	5,530	**5,394**	5,382	110.7	112.5	**111.0**
General Business Activity:						
Bank debits, percentage change in dollar volume of:						
From previous month		**+ 17.3**				
From same month, previous year		**- 30.3**				

Notes:
* = Figure revised n.a. = Data not available

SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

Data on employment have been revised to first quarter 1980 bench marks.

Other figures suggest that the consumer has enlarged his savings cushion. Federal Reserve Board data show that the ratio of consumers' liquid assets to their liabilities rose over the same period from 1.23 to 1.26. In June (latest figures available), the loan-delinquency rate, 2.3 percent of installment loans, was the lowest since January 1979, more than a year before the last recession.

The consumer may be feeling pressure to continue to build up his savings. The inflation-adjusted value of many homes has fallen as the housing price spiral slackened and reduced their owners' net worth.

It is thought that some of the hindrances to consumer spending may not last long: food and used car price rises may slow down; and smaller price rises for raw materials and moderate wage increases may help to slow inflation soon.

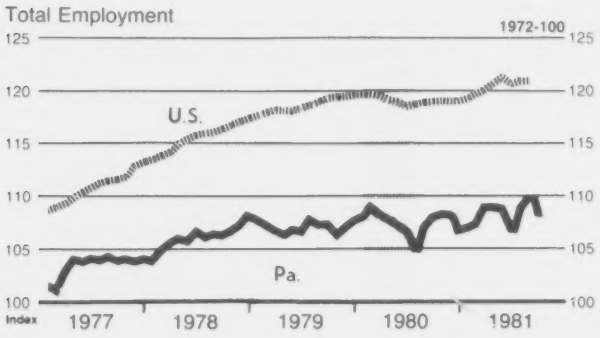
In any case, the consumer is sometimes unpredictable. In the past he has been known to stage a buying spree that surprised analysts. The outcome of the holiday buying season is clouded indeed. Even if chances of a spree this year seem far-fetched, there is still a chance that there will be some lift before it is over. And if there is not, inventories have been controlled tightly enough so that it is thought merchants won't have to resort to disastrous price slashing to liquidate them.

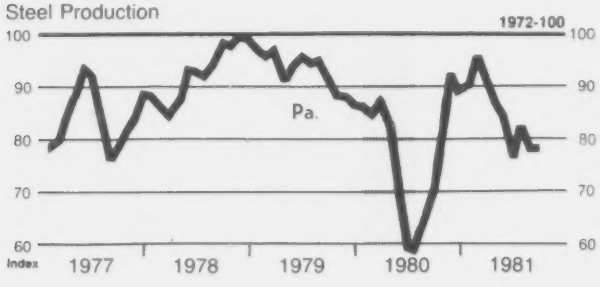
As for early next year, one analyst thinks he has a solution to what seems to be something of an impasse: If the Federal Reserve Board allows the M1-B money supply to rise to the Fed's own target bands, he believes a desirable train of events might be started.[2] That action should produce a lower Federal funds rate, enabling banks to lower their prime and broker loan rates. That, in turn, would induce long-term rates to fall. Investors would then be attracted by higher bond yields; some loan demand would move from bank or commercial paper into bonds; and if the Fed's easing were coupled with tighter fiscal policy, more declines in interest rates might follow.

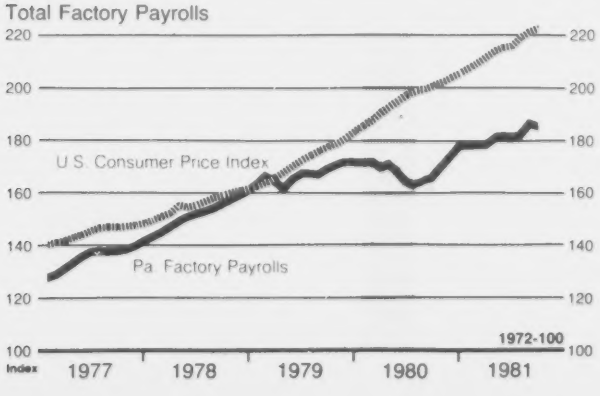
Even if this is how things turn out, they will take time. Meanwhile, for the winter months, there seem to be no more sunny days in store for the economy of Pennsylvania and the Nation than for the weather.

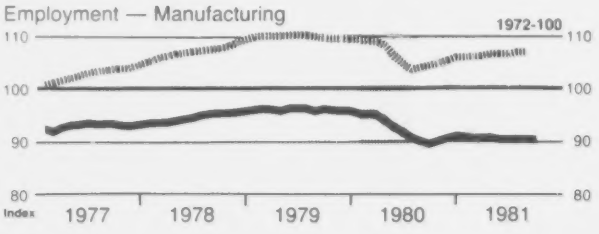
[1]Nov. 2, 1981, p. 1, "Consumers Provide Bright Spot in Gloom," by Alfred L. Malabre, Jr.

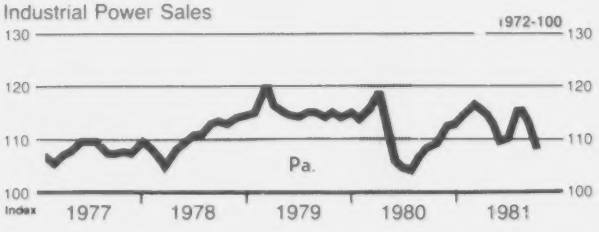
[2]Irwin L. Kellner, *The Manufacturers Hanover Economic Report*, September 1981. M1-B is the total of cash in public hands plus private checking deposits (including those in NOW accounts). The measure represents funds readily available for spending.

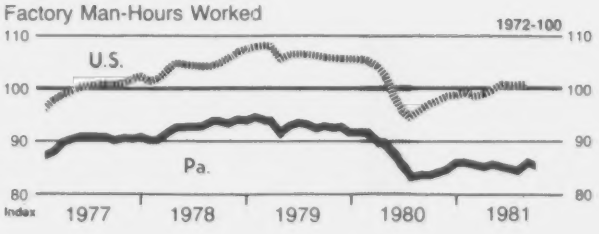


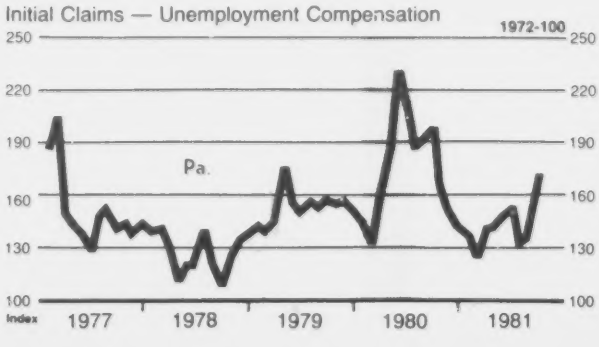












Around the State

Southeastern Quarter

Harrisburg

As could be expected, the economy of the Harrisburg metropolitan area held its own during the third quarter.

The job level for industries located in this area held steady. Seasonal influences have dominated monthly changes all this year and the fluctuations have been at or near peak for some time.

Employment of people who live in this area, regardless of where they work, reached an all-time high point in July and stayed there in August.

Unemployment fell to about last year's level after being higher in the second quarter.

All this was accomplished in spite of mild enlargement in the size of the area's labor force. Early in the quarter, it was at a record high point, but in September receded from that point.

This year, the third quarter was better than it was last year, when the 1980 recession was ending, on all counts but one. The level of factory jobs was the same in both years. And changes from the second quarter of 1981 show signs of slackening in factory activity. Job changes failed to match seasonal patterns until September, and the average workweek grew shorter. While industrial output did well for the quarter, for the month of September it plunged sharply to the lowest point in a year, as measured by sales of electricity at industrial rates.

It is possible that coming months will produce a bit of sag because conditions nationally are declining; but in this well-buffered community it should not be serious.

HARRISBURG AREA[1]

	Ave. mo. value 3 Q.'81	Average monthly index seas. adj. (1972 = 100) 3 Q.'81	2 Q.'81	3 Q.'80
Employment (in thousands)				
Employed, no. of residents	220.2	118	116	111
Unemployed, no. of residents	13.6	241	255	242
Civilian labor force, no. in	233.8	121	120	115
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	224.3	116	116	115
Nonmfg. only, no. jobs in	181.6	118	118	117
Mfg. only, no. jobs in	42.8	105	107	105
Hrs. worked by production workers in mfg., ave. weekly	39.2	98	101	100
Industrial electric power sales	***	338	320	290
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 18.1	***	***	***
From same quarter, previous year	+ 32.0	***	***	***

[1]Cumberland, Dauphin and Perry Counties

	U.S. Indexes (1967 = 100) Consumers' prices, all items Urban index (unadjusted)	Industrial Production Total (seasonally adjusted)
Aug. 1980	249.4	141.0
Sept.	251.7	143.7
Oct.	253.9	146.5
Nov.	256.4	149.2
Dec.	258.4	150.9
Jan. 1981	260.5	151.4
Feb.	263.2	151.8
March	265.1	152.1
April	266.8	151.9
May	269.0	152.7
June	271.3	152.9
July	274.4	153.8
Aug.	276.5	153.3
Sept.	279.3	152.1

Sources: Consumer prices, U.S. Dept. of Labor; industrial production, Federal Reserve Board.

Lancaster

Very little changed in Lancaster County's economy during the third quarter — and that's good.

Local industries continue to hold their job offerings steady, at high level, as they have since they stopped expanding in the first half of 1979.

During the quarter, some 178,800 residents of the County found work in or out of it — the most employment the County has ever had. Unemployment subsided more than seasonally for three consecutive months, and is less than 5 percent of the labor force.

Contrary to the situation in many areas of this state, manufacturing industries here are giving strong support to the local economy. They have added jobs to a more-than-seasonal extent most months this year and growth speeded up in the third quarter. More electricity is being used for output. But the average factory workweek grew shorter

— and is quite short compared with past experience here.

The nonmanufacturing industries of the area have not fared so well. Throughout the third quarter, their job changes failed to live up to expectations. By September, a sharp drop in the seasonally adjusted job index dropped the index level to its lowest point in more than two years.

Compared with a year ago, with only a few exceptions, local industries are now supplying more jobs. Retail trade, food processing, and the transportation and utilities group gained the most. Construction is down, as is the large services and mining group, and state and local government.

Coming months may see factories cut back on work force; but over all this area should do well, as it typically does compared with others.

LANCASTER[1]

	Ave. mo. value 3 Q.'81	Average monthly index seas. adj. (1972 = 100) 3 Q.'81	2 Q.'81	3 Q.'80
Employment (in thousands)				
Employed, no. of residents	176.4	119	119	114
Unemployed, no. of residents	9.2	199	213	222
Civilian labor force, no. in	185.5	122	121	117
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	154.1	119	119	119
Nonmfg. only, no. jobs in	93.9	127	128	128
Mfg. only, no. jobs in	60.3	109	108	107
Hrs. worked by production workers in mfg., ave. weekly	38.7	97	99	98
Industrial electric power sales	***	119	116	112
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 7.2	***	***	***
From same quarter, previous year	+ 23.1	***	***	***

[1]Lancaster County

Philadelphia

Economic conditions changed little in the Philadelphia metropolitan area during the third quarter, as compared with either the second quarter of 1981 or the third quarter of 1980.

Neither employment nor unemployment, on average, moved much from previous marks (although unemployment is higher now than it was last year). Local industries have held about the same job levels in all three periods. There was very little difference in the use of electricity for production throughout the area, although more was used this year in the third quarter than in the second in the cities of Chester and Philadelphia.

The use of checking accounts, as measured by debits to demand deposit accounts of commercial banks, enlarged

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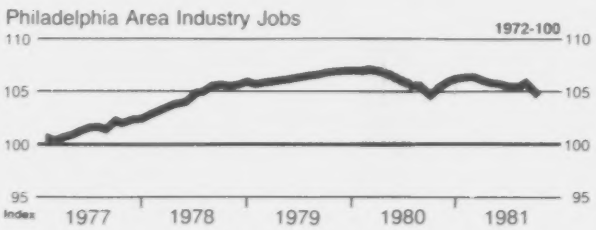
over the quarter enough to suggest a pickup in business activity. The third quarter a year ago saw the end of the 1980 recession. It is not surprising to find a strong gain in checking account usage from that low point. Debits volume is more than a third larger now than then.

For the month of September alone, most indicators turned down — that is, whether there were gains or losses they fell short of the usual seasonal patterns. Thus local factories added fewer jobs than would be expected; other industries lost more jobs than is customary; unemployment rose contrary to pattern; and more people left the labor force than is according to practice at this time of year.

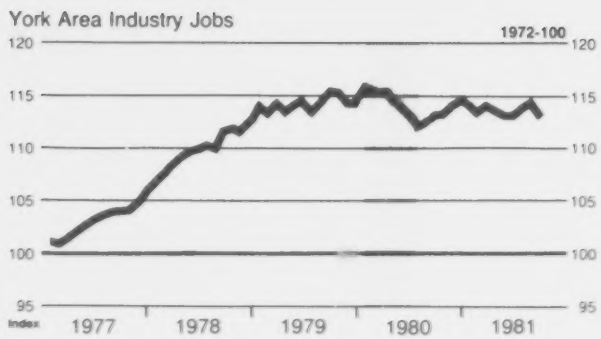
In short, at present conditions in this area are not showing much damage; but their behavior in September suggests they may have started down. National conditions make it likely that they will continue to decline for some months, although verification of cyclical decline is not possible now.



PHILADELPHIA AREA[1]

	Ave. mo. value 3 Q.'81	Average monthly index seas. adj. (1972 = 100) 3 Q.'81	2 Q.'81	3 Q.'80
Employment (in thousands)				
Employed, no. of residents	1,998.3	106	106	106
Unemployed, no. of residents	168.2	140	140	133
Civilian labor force, no. in	2,166.5	108	108	108
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	1,901.8	105	106	105
Nonmfg. only, no. jobs in	1,462.5	113	114	113
Mfg. only, no. jobs in	431.3	85	85	85
Hrs. worked by production workers in mfg., ave. weekly	39.7	99	101	99
Industrial electric power sales				
Metropolitan area	***	105	104	106
Chester	***	119	112	117
Philadelphia	***	98	95	100
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 15.2	***	***	***
From same quarter, previous year	+ 36.5	***	***	***

[1]Bucks, Chester, Delaware, Montgomery and Philadelphia counties, Pa.; Burlington, Camden and Gloucester counties, N.J.



Reading

The third quarter was a bit better for Berks County than the second — and that was plenty good. Between second and third quarters, employment rose, unemployment declined, local industries supplied more jobs, and people and businesses increased their use of checking accounts to an extent that suggested more business activity and not just inflation.

Compared with the same period a year ago, conditions in the third quarter this year were better. Although now the labor force is larger in size, employment gains have been so good that unemployment improved. The dollar volume of checking account usage, which is measured by debits to demand and NOW accounts at commercial banks, rose well beyond the limits of general price rise.

One sector of the local area's economy, however, is showing a little less vigor. It appears that factory production eased off. No more electricity was used for output this year than last (when the 1980 recession was ending); and the average factory workweek this year is relatively shorter than it was either in the second quarter or last year.

This area's economy is not quite so well buffered against national economic downturns as are one or two of its neighboring metropolitan areas. Some sag here must be expected in coming months. The national economy is expected to be sluggish at best and perhaps to decline, and local industries can scarcely get by unscathed. Still, not much bad news is likely to come to this area.

York

The economy of York and Adams counties held steady in the third quarter. Quarterly averages for various indicators moved very little from second-quarter levels, but such changes as there were were uniformly good.

Thus employment and unemployment both improved somewhat more than seasonally, and factory activity picked up a little more than one would expect in late summer and early fall. The dollar volume of checks written against demand deposit accounts in commercial banks increased enough to suggest that improved business activity, as well as general price inflation, was involved.

Compared with the third quarter a year ago, when the brief 1980 recession was ending, conditions this year of course look uniformly good. Employment was able to more than keep pace with the area's labor force expansion, there was more factory output this year, and checking account usage generally expanded notably.

Throughout this year, the York area has maintained a high level of business activity. Whether or not national conditions decline or stabilize in coming months, this area should not suffer much.

READING[1]

	Ave. mo. value 3 Q.'81	Average monthly index seas. adj. (1972 = 100) 3 Q.'81	2 Q.'81	3 Q.'80
Employment (in thousands)				
Employed, no. of residents	149.6	114	111	108
Unemployed, no. of residents	12.1	256	283	273
Civilian labor force, no. in	161.7	118	117	113
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	141.1	112	111	109
Nonmfg. only, no. jobs in	86.5	120	119	118
Mfg. only, no. jobs in	54.6	101	100	98
Hrs. worked by production workers in mfg., ave. weekly	39.0	97	100	98
Industrial electric power sales	***	117	123	117
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 12.4	***	***	***
From same quarter, previous year	+ 23.6	***	***	***

[1]Adams and York counties

YORK AREA[1]

	Ave. mo. value 3 Q.'81	Average monthly index seas. adj. (1972 = 100) 3 Q.'81	2 Q.'81	3 Q.'80
Employment (in thousands)				
Employed, no. of residents	168.3	116	113	111
Unemployed, no. of residents	13.5	264	287	268
Civilian labor force, no. in	181.7	120	119	116
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	156.3	114	113	112
Nonmfg. only, no. jobs in	90.1	116	116	116
Mfg. only, no. jobs in	66.2	111	110	108
Hrs. worked by production workers in mfg., ave. weekly	41.0	99	98	95
Industrial electric power sales	***	123	122	118
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 11.7	***	***	***
From same quarter, previous year	+ 35.5	***	***	***

[1]Adams and York counties

Allentown-Bethlehem-Easton

This metropolitan area did better than expected in the third quarter. Given its sensitivity to national conditions at any time, plus depressed market demand in two of its important industries (steel and construction materials), it was thought that the second-quarter sag might continue into the third quarter. That did not happen.

Instead, employment and unemployment both improved, labor force growth was unusually moderate, and factory activity picked up. In Bethlehem City, home of Bethlehem Steel Corp., use of electricity for industrial production reached a record high point in September. Also, more than a seasonal number of workers were employed in area factories in the third quarter. As is not uncommon when workers are added, the average factory workweek grew relatively short. First-half 1981 gains were lost, but the average is in line with experience prior to last year's recession.

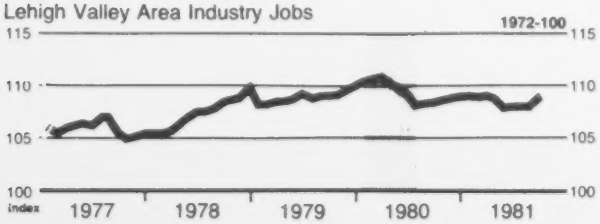
Satisfying as this record may be, it seems unlikely that this area can for long go against national movements or that the fortunes of the steel and construction industries are any brighter than they were earlier this year. The prospect for the winter months is still for a certain amount of deterioration in this area's economy, but it should not be severe.

LEHIGH VALLEY AREA[1]

	Ave. mo. value 3 Q. '81	Average monthly index seas. adj. (1972 = 100) 3 Q. '81	2 Q. '81	3 Q. '80
Employment (in thousands)				
Employed, no. of residents	286.6	111	110	108
Unemployed, no. of residents	23.9	228	262	230
Civilian labor force, no. in	310.5	115	116	112
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	262.0	108	108	108
Nonmfg. only, no. jobs in	155.5	119	119	119
Mfg. only, no. jobs in	106.2	96	95	96
Hrs. worked by production workers in mfg., ave. weekly	38.5	102	104	101
Industrial electric power sales				
Metropolitan area	***	109	109	105
Allentown	***	102	105	107
Bethlehem	***	118	115	107
Easton	***	96	96	93
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 11.4	***	***	***
From same quarter, previous year	+ 3.5	***	***	***

[1]Lehigh, Northampton and Carbon counties, Pa., Warren County, N.J.

Lehigh Valley Area Industry Jobs



Northeast

The third quarter of this year continued the job deterioration that started here in the second quarter. By August and September, the level of jobs supplied by local industries had reverted to the low point reached at the end of the 1980 recession, losing intervening gains. That level was, however, not at all bad compared with some of the straits in which this area found itself in times past.

One thing that helped this time was the fact that the local labor force did not expand during the third quarter to its customary extent. In fact, by September it was declining in number, and was indexed at its lowest point in more than a year.

Another thing that helped was that jobs to which area residents commute apparently held up somewhat better than jobs of companies located in this area. At any rate, employment of residents increased by the usual seasonal proportion in the third quarter, with the result that the adjusted index for the quarter held steady. By September, that index showed a drop, but nevertheless remained at a very good level.

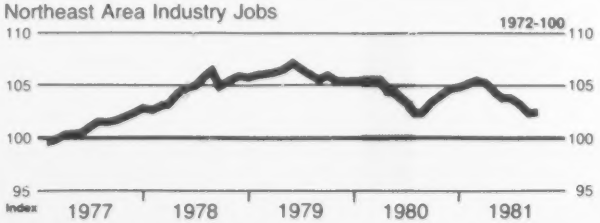
Unemployment of area residents has had wide swings from month to month but is not yet showing a generally rising direction. During the third quarter, on average the number dropped more than seasonally, and this situation was also

NORTHEAST AREA[1]

	Ave. mo. value 3 Q. '81	Average monthly index seas. adj. (1972 = 100) 3 Q. '81	2 Q. '81	3 Q. '80
Employment (in thousands)				
Employed, no. of residents	262.1	105	105	104
Unemployed, no. of residents	26.9	145	163	160
Civilian labor force, no. in	288.9	108	109	108
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	239.2	102	104	102
Nonmfg. only, no. jobs in	168.6	114	116	116
Mfg. only, no. jobs in	70.5	82	82	81
Hrs. worked by production workers in mfg., ave. weekly	36.7	98	97	96
Industrial electric power sales	***	101	92	98
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 10.0	***	***	***
From same quarter, previous year	+ 19.1	***	***	***

[1]Lackawanna, Luzerne and Monroe counties

Northeast Area Industry Jobs



SCRANTON AREA[1]

	Ave. mo. value 3 Q.'81	Average monthly index seas. adj. (1972 = 100) 3 Q.'81	2 Q.'81	3 Q.'80
Employment (in thousands)				
Employed, no. of residents	96.7	104	104	102
Unemployed, no. of residents	8.4	152	193	186
Civilian labor force, no. in	105.1	106	108	107
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	85.1	98	99	99
Nonmfg. only, no. jobs in	57.1	106	108	109
Mfg. only, no. jobs in	28.0	85	85	82
Hrs. worked by production workers in mfg., ave. weekly	37.9	98	95	93
Industrial electric power sales	***	95	92	96

[1]Lackawanna County

WILKES-BARRE/HAZLETON AREA[1]

	Ave. mo. value 3 Q.'81	Average monthly index seas. adj. (1972 = 100) 3 Q.'81	2 Q.'81	3 Q.'80
Employment (in thousands)				
Employed, no. of residents	140.7	102	102	101
Unemployed, no. of residents	16.2	137	141	143
Civilian labor force, no. in	156.9	105	105	104
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	123.2	101	102	101
Nonmfg. only, no. jobs in	85.6	116	118	115
Mfg. only, no. jobs in	37.5	78	79	78
Hrs. worked by production workers in mfg., ave. weekly	35.9	98	97	99
Industrial electric power sales				
Metropolitan area	***	105	93	101
Hazleton	***	113	99	110
Wilkes-Barre	***	93	82	91

[1]Luzerne County

true of the month of September. Nevertheless, the September rate was above 9 percent.

Factory activity has remained pretty steady. The factory job level has drifted down a little this year, but on the whole it is not at all bad. The factory workweek may be rather short, but during the third quarter it improved beyond seasonal pattern. Only at the end of the quarter did it begin to drop back. And judging by the use made in the third quarter of electricity for output, production has not slacked off appreciably. The factory situation in Lackawanna County is slightly stronger than in Luzerne County.

More decline will likely develop here during the winter; but at this point the local economy is still above levels maintained as recently as the expansion year of 1977.

Williamsport

The third quarter was not good to Lycoming County's economy. All the job gains made after last year's recession ended in July have been lost. By September, the index of jobs provided by industries located in the County had dropped to its lowest point in more than four years, as both manufacturing and nonmanufacturing industries failed to follow their usual practices and, instead, laid off workers. The job level in local factories is not much above a record low point. The level for other industries remained on a high plateau for about a year, but in the last two months showed signs of succumbing to conditions.

Fortunately, the local labor force is at its lowest level in six months, or the already high unemployment rate, hovering near 12 percent, would be worse.

Many of the industries of this area depend upon capital spending for prosperity. The product mix is not really very well diversified. Earlier this year, capital spending was holding up pretty well in spite of high interest rates. That situation could not last indefinitely, however, and now such spending is weaker and is not likely to get stronger soon. It appears that Williamsport has a dull winter ahead.

WILLIAMSPORT AREA[1]

	Ave. mo. value 3 Q.'81	Average monthly index seas. adj. (1972 = 100) 3 Q.'81	2 Q.'81	3 Q.'80
Employment (in thousands)				
Employed, no. of residents	47.3	105	105	104
Unemployed, no. of residents	6.5	280	304	290
Civilian labor force, no. in	53.8	114	115	114
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	46.0	104	105	105
Nonmfg. only, no. jobs in	30.3	120	121	120
Mfg. only, no. jobs in	15.6	82	84	84
Hrs. worked by production workers in mfg., ave. weekly	39.6	101	102	100
Industrial electric power sales	***	105	110	107
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+11.9	***	***	***
From same quarter, previous year	+24.2	***	***	***

[1]Lycoming County

Williamsport Area Industry Jobs

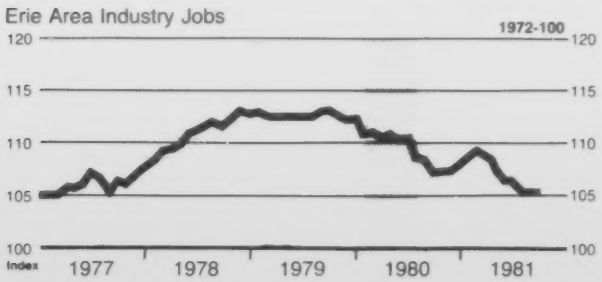
Northwestern Quarter

Erie

Two good things about Erie County's economy in the third quarter: The job loss stopped at a point no lower than it had been in the expansion year of 1977; and the local labor force expanded in number no more than seasonally, which took some pressure off unemployment.

Otherwise, there was little change in conditions here between the second and third quarters. The level of total employment remains, as it had been, relatively low. Use of checking accounts is still about the same as it was in late spring and early summer. The unemployment rate remains in the 9 percent range, and the average factory workweek is still short compared with past experience in this area.

Given the weakness of capital spending nationally, and the weakness among factories generally in the Great Lakes basin, there is little in sight now to boost this area's economy. If it holds its own during the winter, that will be the most that can be expected; and it may not do that well. In such a small metropolitan area, the fortunes of individual companies have much more impact on the area economy than they do in large areas, and such companies are not about to divulge their plans freely or very far in advance.



ERIE AREA[1]

	Ave. mo. value 3 Q.'81	Average monthly index seas. adj. (1972 = 100) 3 Q.'81	2 Q.'81	3 Q.'80
Employment (in thousands)				
Employed, no. of residents	113.6	108	108	110
Unemployed, no. of residents	12.2	224	238	225
Civilian labor force, no. in	125.8	114	114	115
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	109.9	105	107	108
Nonmfg. only, no. jobs in	69.0	115	118	118
Mfg. only, no. jobs in	40.5	91	92	93
Hrs. worked by production workers in mfg., ave. weekly	40.6	98	99	96
Industrial electric power sales	***	122	119	111
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 4.9	***	***	***
From same quarter, previous year	+ 32.4	***	***	***

[1]Erie County

Southwestern Quarter

Altoona

Blair County factories continue to be the star performers among local industries. During the months July through September, the third quarter of this year, factories increased their job offerings slightly more than seasonally from a level that was already good. After making steady job gains in the first half of the year, they retained them in the third quarter at a time when, in the national economy, signs of slippage were increasing. During the quarter factories apparently stepped up output, since they used more electricity sold at industrial rates than they had in the second quarter.

Other industries in the area — the nonmanufacturing industries, among which Conrail is classified — have not fared so well. They lost jobs more than seasonally in the third quarter and by its end were indexed at the lowest point in six years.

Local industries don't provide all the jobs for residents of the area — some of them commute to jobs outside of Blair County. Apparently the experience of peripheral firms is not much different from that of local firms. At any rate, total employment of residents has not changed level very much this year. The month-to-month fluctuations have been wide, however, and several times this year the seasonally adjusted employment index dipped to its lowest point in five years.

Only the fact that the area's labor force has remained relatively small has prevented unemployment from becoming more of a problem — and it is enough of one now.

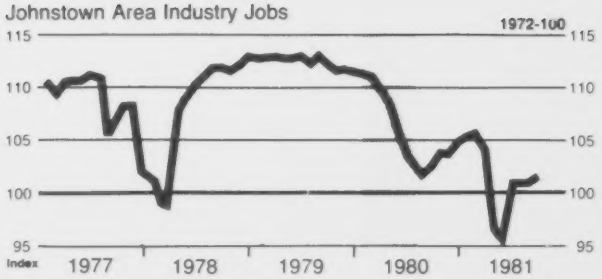
It is questionable whether the factory activities can continue to be as strong as they have been so far this year. National conditions do not favor any general pickup soon — but in a metropolitan area as small as this one individual firms may fare better or worse than the national sector. There also seems to be little to stimulate activity in mining or railroading during the coming winter, and some job loss will not be recovered as state and local governments cut back federally funded jobs.

Meanwhile, the usage being made of checking accounts, as measured by debits to demand and NOW accounts in commercial banks, does not suggest any pickup in general business activity. After allowing for inflation, the volume of bank debits is just about the same as it was a year ago.

A sluggish period seems unavoidable in Blair County's economy.

Altoona Area Industry Jobs

Johnstown Area Industry Jobs



ALTOONA AREA[1]

	Ave. mo. value 3 Q.'81	Average monthly index seas. adj. (1972 = 100) 3 Q.'81	2 Q.'81	3 Q.'80
Employment (in thousands)				
Employed, no. of residents	52.0	104	104	110
Unemployed, no. of residents	6.8	204	198	181
Civilian labor force, no. in	58.8	110	110	114
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	49.9	101	102	102
Nonmfg. only, no. jobs in	36.7	108	110	112
Mfg. only, no. jobs in	13.2	86	86	82
Hrs. worked by production workers in mfg., ave. weekly	38.9	102	102	101
Industrial electric power sales	***	115	100	115
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 2.8	***	***	***
From same quarter, previous year	+12.9	***	***	***

[1]Blair County

JOHNSTOWN[1]

	Ave. mo. value 3 Q.'81	Average monthly index seas. adj. (1972 = 100) 3 Q.'81	2 Q.'81	3 Q.'80
Employment (in thousands)				
Employed, no. of residents	94.9	104	102	106
Unemployed, no. of residents	12.0	192	259	228
Civilian labor force, no. in	106.8	110	112	113
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	83.3	101	98	102
Nonmfg. only, no. jobs in	65.4	114	109	113
Mfg. only, no. jobs in	17.3	71	71	76
Hrs. worked by production workers in mfg., ave. weekly	37.4	101	102	99
Industrial electric power sales	***	119	111	118
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 35.9	***	***	***
From same quarter, previous year	+ 45.0	***	***	***

[1]Cambria and Somerset counties

Johnstown

The economy of Cambria and Somerset counties perked up in some respects during the third quarter. After note is taken of the shifts that usually occur at this time of year, it is found that there was improvement in both employment and unemployment; that the labor force shrank in number; and that factory output was pretty good, on average, as judged by sales of electricity at industrial rates.

The improvement was not, of course, very satisfying, since it meant no more than a certain amount of recovery from the second-quarter soft coal strike. Except for that low period, the nonmanufacturing industries of the area registered the lowest job level in a year. In September, they strengthened, though, and the number of jobs was only 100 under the same month in 1980.

Factories retained their second-quarter job level during the third quarter; but it fell to a record low point in July and did not rise far above it in August. By September, the number of jobs dropped below the regular seasonal shift. In that month local industries offered about 700 fewer jobs than they had a year earlier. By September also, industrial output began to slack off sharply.

The closing of ABEX in particular and continued softness in general in the demand for steel and its products is dealing this area particularly harsh blows. Although the area labor force is the smallest it has been in more than four years and the number of unemployed is comparatively small, the latter represent a high percentage of the former. Recovery from the coal strike put job offerings by local firms no better than midway between first- and second-quarter levels. Most indicators sagged at the end of the quarter.

Perhaps this area can hold its present activity levels rather steady in coming months; but it has suffered more than other areas since the middle of 1979 and it looks like a glum winter ahead.

Pittsburgh

There was very little change in Pittsburgh's economy during the third quarter from second-quarter conditions. On average, during the third quarter employment and unemployment both improved, the labor force was stable in size, and local industries kept their overall job level steady. Factory output appears to have increased, as judged by the use made of electricity at industrial rates. The increase that occurred in the use of checking accounts suggests a quickened pace of business generally. Usage is measured by debits to demand deposits at commercial banks.

The second-quarter coal strike had a limited effect on the overall economy of this major area, and so the third quarter did not reflect any particular changes on that account.

Compared with a year ago, when the 1980 recession was ending, conditions now are in some respects better. The job level has stayed on a pretty good plateau, with minor fluctuations for about a year and a half. Factory activity is stronger now than then in terms of electricity used for

production, the job level, and the length of the average factory workweek.

Considering the depressed state of the steel and related durable goods industries, this is a pretty good record. By September, though, almost all indicators were pointing down. And despite Pittsburgh's diversification efforts, it is still quite vulnerable to slumps in demand for durable goods.

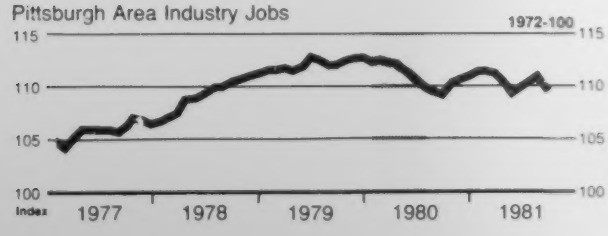
There is very little in the current picture to suggest that demand is going to pick up very quickly. But the last three recessions have dealt Pittsburgh less job damage than previous recessions. It is to be expected that perhaps this downturn will do so too, although the outlook for winter months is none too promising.

PITTSBURGH AREA[1]

	Ave. mo. value 3 Q.'81	Average monthly index seas. adj. (1972 = 100) 3 Q.'81	2 Q.'81	3 Q.'80
Employment (in thousands)				
Employed, no. of residents	976.0	113	112	108
Unemployed, no. of residents	71.0	135	143	157
Civilian labor force, no. in	1,047.0	114	114	111
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	952.6	110	110	110
Nonmfg. only, no. jobs in	711.8	118	117	118
Mfg. only, no. jobs in	238.8	92	93	90
Hrs. worked by production workers in mfg., ave. weekly	40.1	99	100	95
Industrial electric power sales	***	122	117	105
Bank debits, percentage change in dollar volume of seas. adj.				
From previous quarter	+ 15.5	***	***	***
From same quarter, previous year	+ 24.5	***	***	***

[1]Allegheny, Beaver, Washington and Westmoreland counties

Pittsburgh Area Industry Jobs



State College

There were two notable features of Centre County's economy during the third quarter of this year. First, local industries equalled their record high job performance of the second quarter. Second, local factories stepped up activity. In all aspects for which measures of current performance are available, the record this year is better than it was a year ago.

Area industries have been able to supply jobs for most of the local labor force, even though this year it has been of record size. As a result, unemployment remains at comparatively low level, and the unemployment rate, at around 6 percent, is one of the lowest in the state.

Local factories added more than a seasonal number of workers, on average, during the quarter, and by September were holding steady at the second highest point on record. They also stepped up output, as judged by the use they made of electricity sold at industrial rates. Other industries also ended the quarter with near-record employment.

Given the current high level of County operations, any sag in coming months is bound to result in only minimal damage to the overall economy. Since defense spending is a factor here and is beginning to pick up, even the prospect of sag is uncertain.

STATE COLLEGE AREA[1]

	Ave. mo. value 3 Q.'81	Average monthly index seas. adj. (1972 = 100) 3 Q.'81	2 Q.'81	3 Q.'80
Employment (in thousands)				
Employed, no. of residents	43.6	120	120	115
Unemployed, no. of residents	2.9	226	265	232
Civilian labor force, no. in	46.5	124	125	119
Local industries (in thousands)				
Nonagricultural ind., no. of wage & salaried jobs in all	42.9	116	115	114
Nonmfg. only, no. jobs in	35.2	114	116	113
Mfg. only, no. jobs in	7.6	127	109	120
Industrial electric power sales	***	119	102	107

[1]Centre County

State College Area Industry Jobs

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No Market Boost for Hard Coal

The high cost of energy and uncertainty concerning oil supplies have not developed much of a market for anthracite, according to U.S. Department of Energy reports issued last month.

In 1973, the year of the Arab oil embargo, anthracite mines in this country, all of which are located in Pennsylvania, produced 6,830,000 short tons. In 1980, production was 6,056,000 tons. Last year was the first, in fact, in which a steady production decline was halted. But if fourth-quarter 1981 production runs at the same rate that the first three quarters of this year ran, production will sag again. It is running at an annual rate of no more than about 5,200,000 tons.

Although exports of anthracite rose from 717,000 short tons in 1973 to 1,795,000 tons in 1980 and may top that figure this year, the domestic market is declining. Domestic consumption of hard coal dropped from 5,672,000 tons in 1973 to 3,671,000 in 1980, and the decline was steady.

In 1973, residential and commercial users accounted for 51.4 percent of the consumption; in 1980, for 41.6 percent. Coke plants have reduced their consumption from 8.2 percent of the total to 4.5 percent. The electric utilities have held their consumption to a little over 25 percent of the total. Other industrial users have, indeed, increased theirs from 15 to nearly 28 percent of the total; but this has not been enough to spur production. In a period in which they were increasing their demand for tonnage by 180,000 a year, utilities reduced theirs by 492,000 and residential and commercial users by 1,389,000.

Anthracite Production and Consumption, 1973-1980

(Thousand short tons)

Year	*Production*	*Domestic Consumption*	*Exports*
1973	6,830	5,672	717
1974	6,617	5,448	735
1975	6,203	5,106	640
1976	6,228	5,040	615
1977	5,861	4,803	625
1978	5,037	3,895	866
1979	4,835	3,238	1,233
1980	6,056	3,671	1,795

Source: U.S. Dept. of Energy, *Energy Data Report*, October 23, 1981, Table 10.